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## CITY OF PORTLAND

### OFFICE OF MANAGEMENT AND FINANCE

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Date: March 11, 2014  
To: Mayor Charlie Hales and City Council  
From: Fred Miller, Interim Chief Administrative Officer *Fred Miller*  
RE: Accept the City of Portland Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013

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I am pleased to submit for your consideration and acceptance, the City of Portland Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (2013 CAFR).

City Controller Jane Kingston and I will be presenting the 2013 CAFR, which comprises the annual, audited financial statements for the City of Portland. It provides the actual financial results of City operations and presents information in accordance with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements.

Thank you for your consideration.

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*To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.*



# City of Portland

Briefing to City Commissioners and Staff  
FY 2013 Comprehensive Annual Financial Report and Audit

Office of Management and Finance

Accounting Division

March 2014

# Purpose of Briefing

- Introduce the Comprehensive Annual Financial Report (CAFR) and key accounting terms
- Discuss highlights of the City's FY 2013 CAFR and the independent financial audit
- Provide Council with CAO observations about policy implications of FY 2013 CAFR

# What is a CAFR?

Comprising the annual, audited financial statements for the City of Portland, the Comprehensive Annual Financial Report (CAFR):

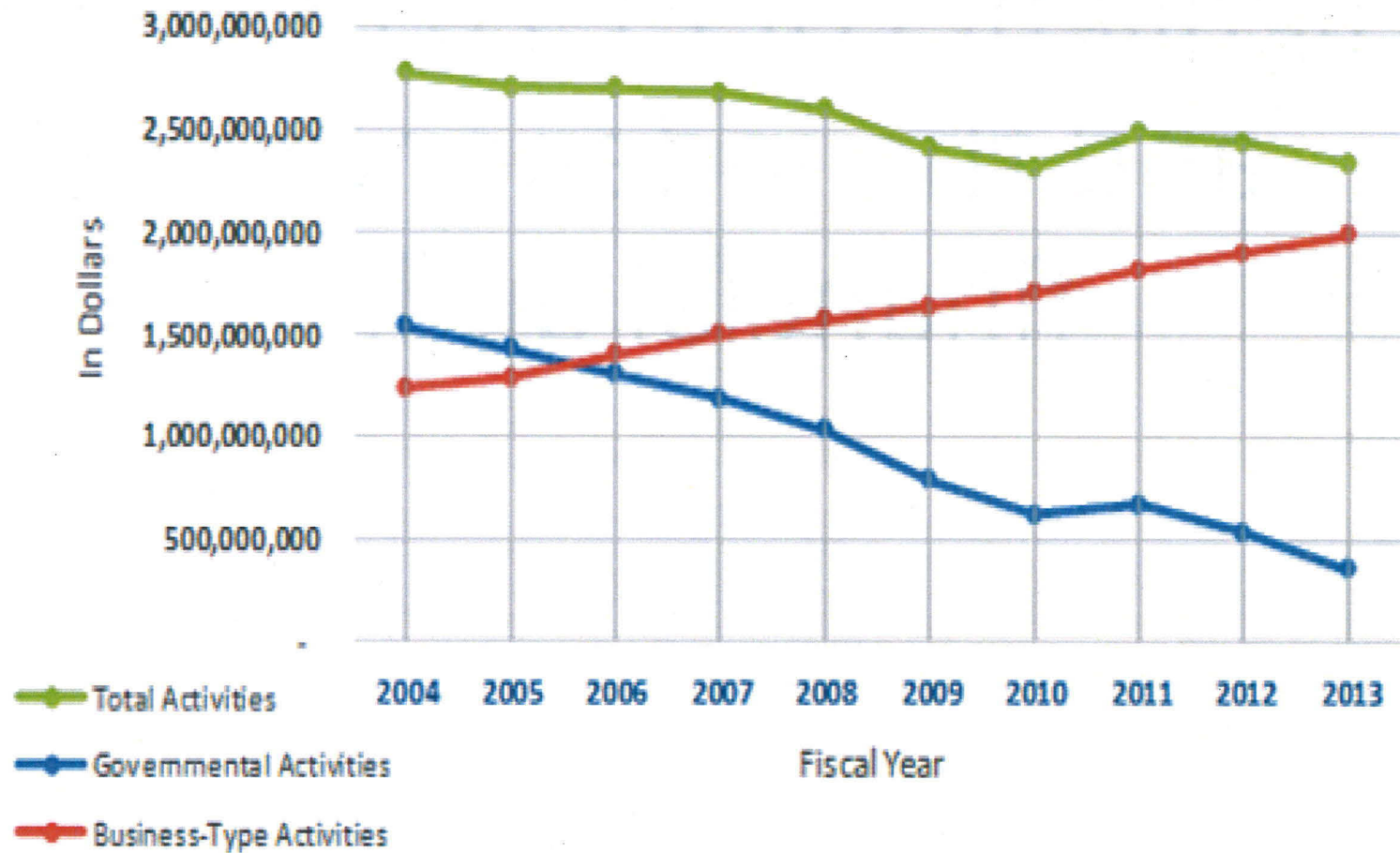
- Provides the actual financial results of City operations, in contrast with budget figures
- Presents information in accordance with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements
- Represents a resource for financial decisions and policy-making

# What is in the CAFR document?

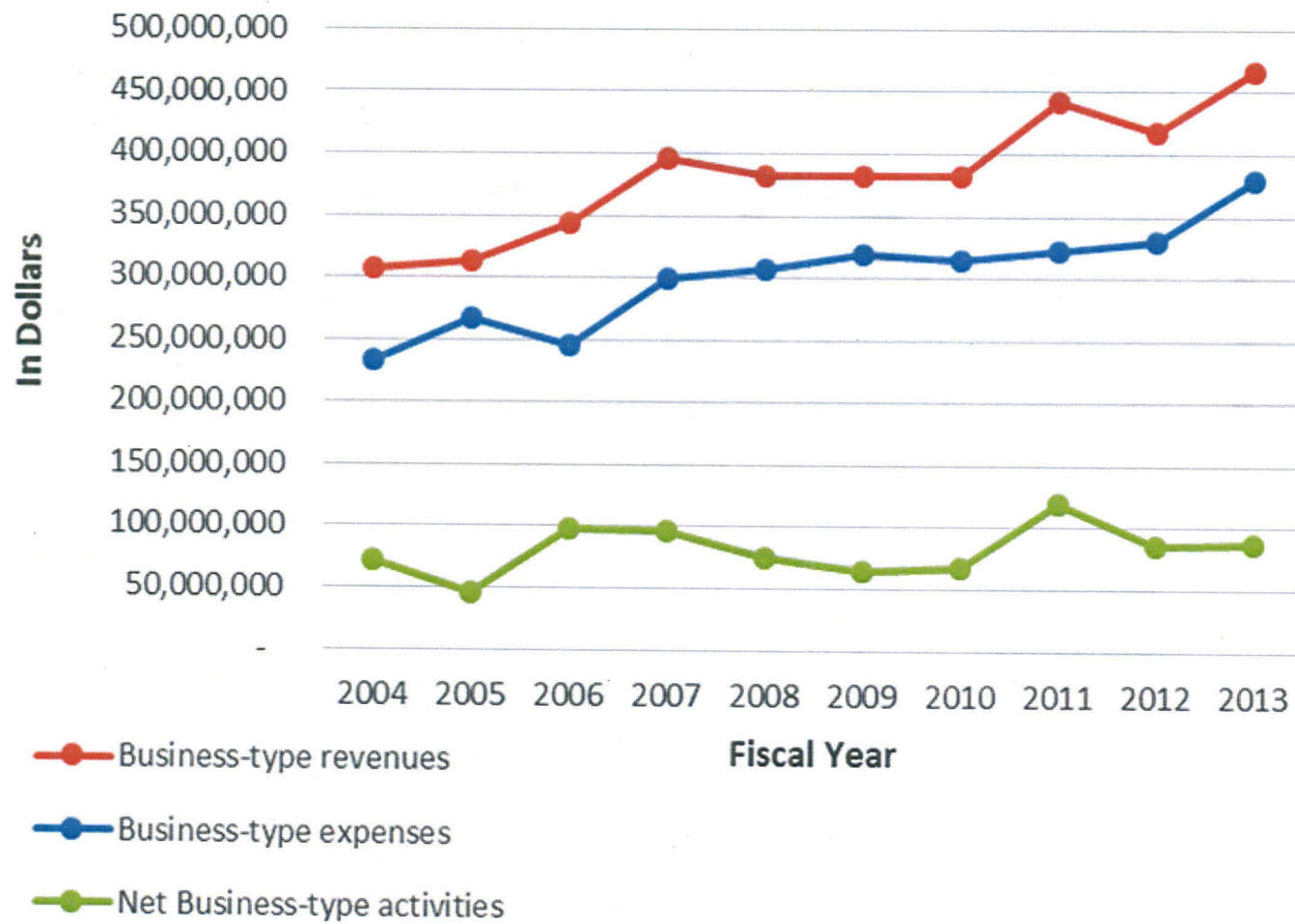
- Management Discussion and Analysis (MD&A)
- Financial Statements
- Statistical information on trends
- Report on Federal Grant programs
- Reports of the independent financial auditor

# Highlights of FY 2013 CAFR and the independent financial audit

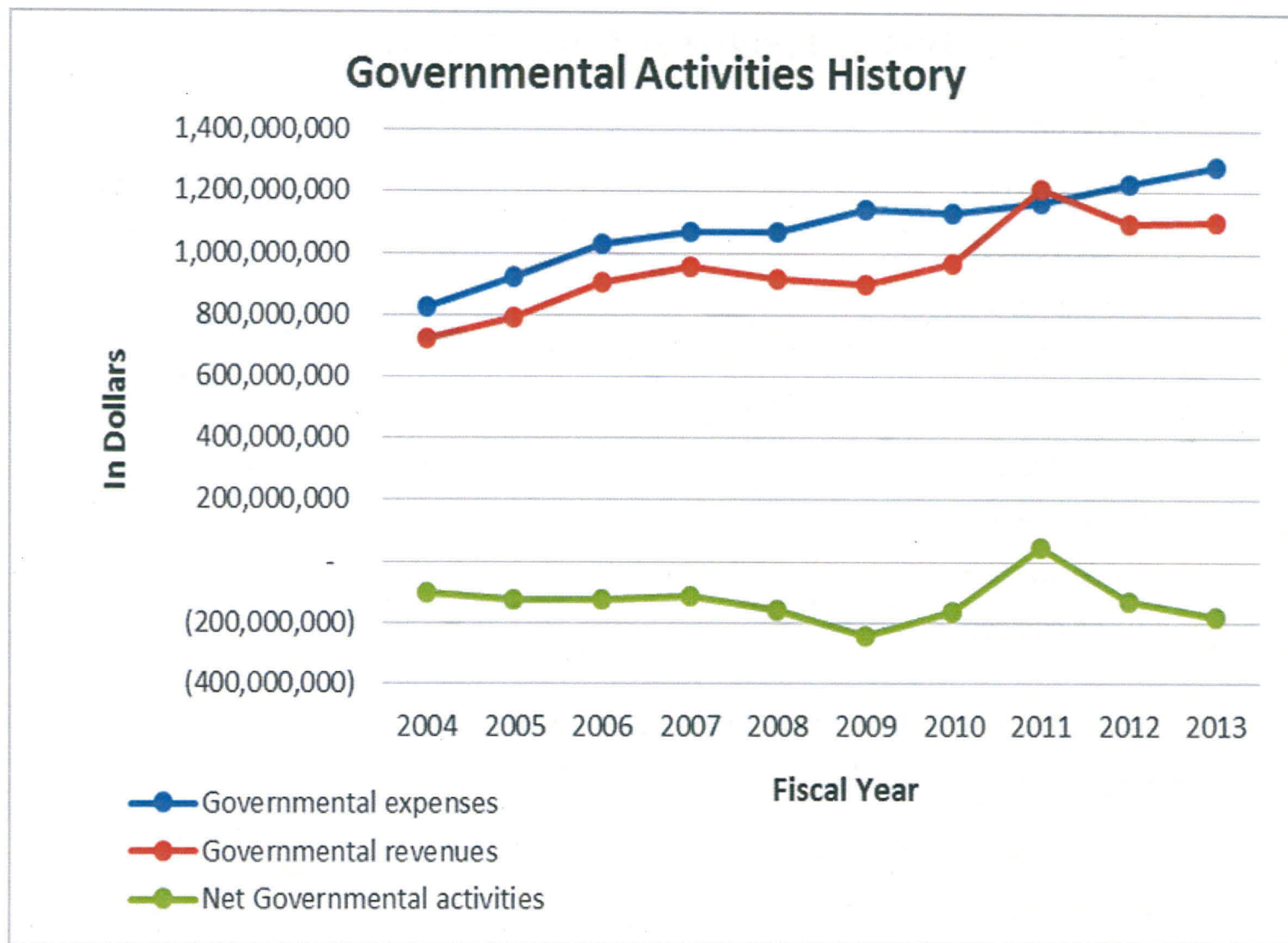
## City of Portland Net Position



## Business-type Activities History







## Governmental Activities Adjusted Net Position



# What were results of independent financial audit?

- Unqualified (clean) opinion from City's independent financial auditor, Moss Adams, LLP
- A limited number of findings, which City is addressing
  - Deficit fund balances at year-end
  - Inconsistent capitalization of personnel costs for internally developed software
  - Lack of documentation to substantiate procedures for purchases made with federal funding
  - Required monitoring of sub-recipients of the City's federal funding
- Separate auditor Management Letter advises of various best practice recommendations

# Glossary

# Basis of accounting

Full-accrual measures economic events regardless of when cash transactions occur. Revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Modified-accrual is used by governmental entities and focuses on current financial measurement. Revenues are recorded when they are measurable and available. Expenditures are recorded when a liability is incurred.

Cash basis (or budgetary) records receipts when received and expenses when actually paid.

# Governments present many Statements

Government-wide statements illustrate governmental and business type activities and their net position. Governmental activities are supported by taxes and intergovernmental revenues. Business-type activities rely on fees and charges for services. Uses full-accrual accounting basis.

Fund financial statements display detailed results for governmental and proprietary funds. Uses modified-accrual accounting basis.

Budgetary versus Actual statements display detailed actual results for governmental and proprietary funds on a cash basis.

# Governments use Fund accounting

Governmental funds account for activities supported by taxes and grants (ex.: General Fund, Transportation Operating, and Grants)

Proprietary funds account for activities supported from fees and charges (ex.: Sewage Disposal, Water)

Fiduciary funds account for resources government holds as agent or trustee and cannot be used to support government's own programs (Pension Trust)

# Reader's Guide to the CAFR

## **Introductory Section**

Introductory letter from the CAO, including general information and background on the City of Portland.

Presentation of current elected officials and organization charts.

Certificate of Achievement for Excellence in Financial Reporting for FY 2012 from GFOA.



# Reader's Guide to the CAFR (cont'd)

## Financial Section

### Overview:

- Report of the Independent Auditor (“opinion letter”)
- Management Discussion and Analysis (MD&A) – narrative focused on the basic financial statements including the government-wide and major fund statements

### Basic Financial Statements:

- Government-wide Financial Statements
- Major Governmental, Proprietary, and Fiduciary Fund Statements

# Reader's Guide to the CAFR (cont'd)

## **Financial Section (cont'd)**

### Notes to the Financial Statements

#### Required Supplementary Information:

- Major Governmental Funds Budget and Actual Schedule

#### Combining and Individual Fund Statements and Schedules:

- Nonmajor Governmental Funds
- Nonmajor Proprietary Funds
- Fiduciary Funds

# Reader's Guide to the CAFR (cont'd)

## **Financial Section (cont'd)**

### Schedules of Revenues and Expenditures - Governmental:

- General Fund – Budget and Actual
- Special Revenue Funds - Budget and Actual
- Debt Service Funds – Budget and Actual
- Capital Projects Funds – Budget and Actual

### Schedules of Revenues and Expenditures - Proprietary:

- Enterprise Funds – Budget and Actual
- Internal Service Funds - Budget and Actual

# Reader's Guide to the CAFR (cont'd)

## Financial Section (cont'd)

### Schedules of Revenues and Expenditures - Fiduciary:

- FPD&R – Budget and Actual
- FPD&R Reserve – Budget and Actual
- Fire and Police Supplemental Retirement Reserve – Budget and Actual
- Cable Fund - Budget and Actual

### Other Financial Schedules

# Reader's Guide to the CAFR (cont'd)

## **Statistical Section**

Includes selected financial and demographic information, generally presented on a multi-year basis.

## **Audit Comments and Disclosures**

The report of the independent Financial Auditors on compliance and internal control over financial reporting based on an audit on the financial statements performed in accordance with *Oregon Minimum Audit Standards*. Includes a discussion of any findings.



# Reader's Guide to the CAFR (cont'd)

## **Federal Grant Programs**

- Report of the independent Financial Auditors on compliance and internal control over financial reporting based on an audit on the financial statements performed in accordance with *Governmental Audit Standards*. Includes a discussion of any findings.
- Report of the independent auditors on internal control over compliance for each major federal program

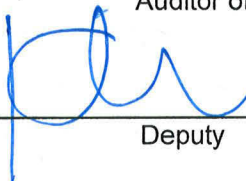
# Reader's Guide to the CAFR (cont'd)

## **Federal Grant Programs (cont'd)**

- Schedule of Expenditures of Federal Awards
- Notes to Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Management Responses to Schedule of Findings and Questioned Costs:
  - OMF, Bureau of Police, and Portland Housing Bureau

Agenda No.  
**REPORT**  
Title

Accept the City of Portland Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013  
(Report)

<p><b>INTRODUCED BY</b> Commissioner/Auditor: <b>Mayor Charlie Hales</b></p>	<p>CLERK USE: DATE FILED <u>MAR 14 2014</u></p>
<p><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance and Administration - Hales <i>CH</i></p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p>	<p style="text-align: right;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p style="text-align: center;">By:  Deputy</p>
<p><b>BUREAU APPROVAL</b></p> <p>Bureau: OMF</p> <p>Bureau Head: Fred Miller <i>Fred Miller</i></p> <p>Prepared by: Fred Miller</p> <p>Date Prepared: March 11, 2014</p> <p>Financial Impact &amp; Public Involvement Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p><b>City Auditor Office Approval:</b> required for Code Ordinances</p> <p><b>City Attorney Approval:</b> required for contract, code, easement, franchise, charter, Comp Plan</p> <p>Council Meeting Date 3/19/14</p>	<p><b>ACTION TAKEN:</b></p> <p>MAR 19 2014 <b>ACCEPTED</b></p>

<b>AGENDA</b>
<p><b>TIME CERTAIN</b> <input type="checkbox"/></p> <p>Start time: _____</p> <p><b>Total amount of time needed:</b> (for presentation, testimony and discussion)</p>
<p><b>CONSENT</b> <input type="checkbox"/></p>
<p><b>REGULAR</b> <input checked="" type="checkbox"/></p> <p><b>Total amount of time needed: 10</b> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	✓	
4. Novick	4. Novick	✓	
Hales	Hales	✓	